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# AGRICULTURAL OUTLOOK DIGEST

ECONOMIC RESEARCH SERVICE # USDA # WASHINGTON, D.C. AOD-107 JULY 1965

**Buildup in broilers...Above-average deciduous fruit crop...Pickup in egg prices near**

Realized net farm income gained sharply in the first half of 1965, suggesting a rise for the whole year to \$13.5 billion, the largest total in over a decade.

The seasonally adjusted annual rate for the first half was up \$1 billion from the \$12.8 billion a year earlier. Mainly responsible were income gains in May and June--particularly for meat animals.

Realized gross farm income increased 3 percent to \$43.6 billion, adjusted annual rate, on gains in cash receipts from marketings and in Government payments to farmers.

Production expenses also went up--by \$400 million--to \$29.8 billion, annual rate.

Marketings in the first half brought in an estimated \$15.9 billion. This was a \$700 million gain from a year earlier, with \$550 million due to gains in livestock and product receipts; the rest came from crops.

According to July 1 conditions, the marketing volume for all of 1965 may about equal the record-large amount last year.

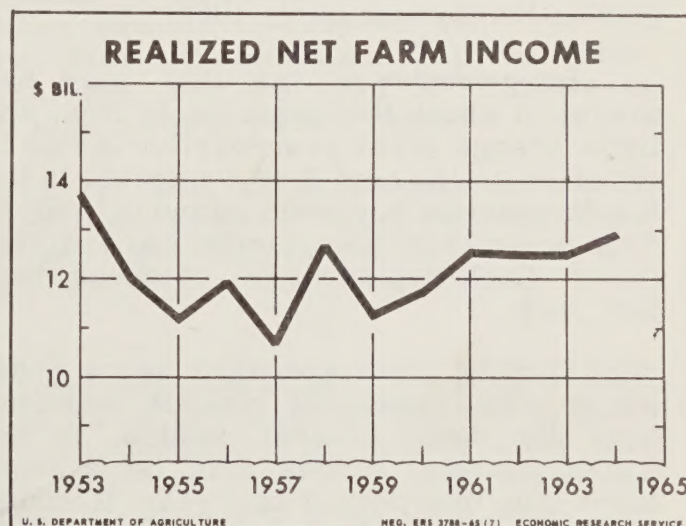
**The domestic market** continues to expand in response to rising income and a growing population. Disposable personal income is running 6 percent above 1964. Consumer spending is up roughly 5 percent.

Exports of farm products in each of the past 2 fiscal years were at record levels of \$6.1 billion. Continued large exports are likely.

**Fed cattle** prices during the third quarter will likely average below early July levels, but well above the \$24.93 per 100 pounds a year earlier (Choice steers, Chgo.).

Prices next fall will depend largely on the number of cattle placed on feed this summer. If third quarter placements continue at the high second quarter rate (24 percent above a year earlier), October-December marketings will likely increase and prices will decline from July-September levels. However, if placements trail off this summer, fall prices likely will stay above the October-December 1964 average of \$24.57.

The July 1 number of cattle on feed was up 9 percent from a year earlier. However, all the gain was in numbers of animals weighing less than 900 pounds. A decline



Gains in realized net farm income in the first half of 1965, together with generally favorable harvest prospects, point to a continuation of last year's rise in income, after 3 years of relative stability.



for those in heavier weight groups indicates that slaughter weights in the third quarter will likely continue relatively light. But numbers marketed may gain; producers' intentions as of July 1 were for 6 percent more marketings out of feedlots than in the third quarter of 1964.

**A broiler production buildup** is now underway, following a year of relatively favorable producer prices.

Broiler slaughter in Federally inspected plants was 4 percent above a year earlier in April-June and likely will be up about 10 percent in July-September. Also, fourth quarter output probably will average well above a year earlier.

This gain in production is expected to drive broiler prices a little under 1964 levels, probably before the end of the third quarter. However, it will likely be late in the year before prices are low enough to arrest further expansion in hatchery supply flocks. As a result, the potential to produce broilers could continue to expand well into 1966.

Recent additions of pullet chicks to hatchery supply flocks have been large. By January 1966, the number of layers in these flocks will have climbed to about 12 percent above the year-earlier level. This expansion will create strong pressure for a substantial increase in broiler production through early 1966.

**Egg production** so far this year has averaged about the same as in 1964, and little change from year-earlier levels is expected in the next 2 or 3 months. In the fourth quarter, however, output is likely to drop below 1964 rates; farmers are raising fewer flock-replacement chickens than last year.

Egg prices have averaged below 1964, but a sharp seasonal rise is expected over the next several months. In the fourth quarter, prices may be 2 cents above the like period last year. Relative strength will likely carry over into 1966.

**Wool prices** were relatively stable during the first half of 1965, but were below those a year earlier. They likely will remain stable the rest of the year, since domestic

demand for apparel wool continues firm.

U.S. mill use of apparel wool this year likely will be substantially above 1964. It is expected to total 275-280 million pounds, scoured basis, compared with 234 million in 1964. Mill use of carpet wool probably will be near the 122 million pounds of 1964.

World wool prices increased up to 5 percent during early July as the 1964-65 marketing season came to a close and drought conditions in the Southern Hemisphere raised fears of smaller output in 1965-66. Wool use in major manufacturing countries in the first part of 1965 was below a year earlier. However, if wool demand in these countries increases, as it has recently in the United States, a moderate price rise can be expected in late 1965 and early 1966.

**Sheep producers** this year may have begun slowing the downturn of the past few years in sheep numbers, according to recent production and slaughter data. This year's lamb crop was down only 2 percent from 1964, but sheep and lamb slaughter in the first half was off about 11 percent. Slaughter in the second half will likely be down 7-9 percent from a year earlier.

These large reductions likely reflect a holdback of ewe lambs from slaughter for breeding flock additions. Also, for the second half of 1965, the reductions indicate a continuation of lamb prices well above year-earlier levels.

**Milk production** in the second half of 1965 will likely average above year-earlier levels, continuing the slight gain of the first half. The year's volume will likely total about 127 billion pounds, compared with 126.6 billion in 1964.

Farm prices of milk probably will continue a bit above 1964 levels in the second half because of the higher support price this year on manufacturing milk.

**The deciduous fruit crop** for 1965 will be slightly smaller than the record 1964 crop but a tenth above the 1959-63 average if July 1 prospects materialize. Although supplies of fresh deciduous fruits



will be seasonally large during late summer and early fall, supplies of some items, especially pears, will be noticeably below a year earlier. Processed fruit supplies are expected to continue large because of increased season-end stocks and prospective large packs.

Record-large crops of grapes and fresh plums are in prospect. Larger crops than last year also are indicated for peaches, apricots, and California dried prunes. California nectarine production is expected to equal the record 1964 tonnage. But lighter crops are indicated for apples, pears, cherries, Pacific Northwest prunes, and strawberries. Reductions are greatest in the Pacific Coast States--due largely to unfavorable winter and spring weather--and in Michigan.

Price increases over 1964 are indicated for 1965-crop pears, sweet cherries, and strawberries.

**Upland cotton disappearance** during the 1965-66 crop year is put at 13.5 million bales, up 0.4 million from the expected total for the 1964-65 year ending July 31. Small increases are estimated for both domestic use and exports.

Mill use may total 9.3 million bales. This would be a gain of 0.2 million over the amount estimated for 1964-65 and would be the most in more than a decade. Exports are expected to total 4.2 million bales, slightly above the 4.0 million now estimated for the current year.

Prospects for U.S. exports have weakened during late months of 1964-65 because of uncertainty pending the outcome of new legislation that could affect future exports of U.S. cotton.

The carryover of upland cotton on August 1 this year is estimated at 14.2 million bales. This is about 2 million bales above a year earlier and the most since the record in 1956. Mill use for 1964-65 will likely total 9.1 million bales, up from 8.5 million a year earlier, but exports are expected to be down about 1.7 million.

The July crop report showed 1965 planted acreage of upland cotton down about 4 percent from last year. The national

**The July crop report** put plantings for 1965 harvest at 308 million acres, up slightly from last year and 2 percent above 1962's record low. July 1 crop prospects were generally more favorable than a year ago. Some of the report's estimates:

	Millions	% Change from 1964
Corn, bu.....	3,912	+10
Wheat, bu.....	1,354	+ 5
Oats, bu.....	888	+ 1
Tobacco, lb.....	2,002	-10
Rice, cwt.....	72	- 1
Sugar beets, tons..	22	- 8
Soybeans, acres....	35.6	+12
Cotton, acres.....	14.2	- 4
Sorghums, acres...	17.0	+ 1

acreage allotment was set at the statutory minimum of 16 million acres, same as last year. But there has been greater participation this year in the domestic allotment program. Producers have signed up to remove about 1 million acres of upland cotton from production, up from half a million last year.

**Domestic wheat use** in 1965-66 will likely go somewhat above the 644 million a year earlier and well above the 1958-62 average. The gain is expected to result from increased use of wheat for feed.

Exports are estimated at 725 million bushels, close to those in 1964-65. Dollar exports in 1964-65 were low and are likely to increase. Exports under P.L. 480 are expected to continue at the high level of recent years.

With a total disappearance of around 1.4 billion bushels and 1965 production set at 1,354 million, the carryover next July would be reduced accordingly.

**The feed grain supply** for 1965-66 will total about 204 million tons on the basis of July prospects, slightly smaller than last year and about 8 percent below the 1959-63 average. The 1965 crop may total about 149 million tons, up from the short crop last year and about average. This prospective increase, however, is slightly more than offset by a likely decline of 14 million tons in carryover



stocks this fall to about 55 million tons, the least since 1957.

Domestic use in 1964-65 is expected to total about 132 million tons, close to the level of the past 2 years, while exports are expected to reach a record high of over 20 million tons. If total use continues near this year's level in 1965-66, the 1965 crop will be a little below total requirements, resulting in a further decline in carryover stocks in the fall of 1966.

Prices received by farmers for feed grains during October 1964-June 1965 averaged 6 percent above a year earlier and were the highest for any marketing year since 1957-58. The higher prices resulted from the reduced 1964 crops and higher loan rates. The larger expected production in 1965, together with lower loan rates, may cause prices this fall and winter to go below the year-earlier level.

**Soybean prices** to farmers advanced from \$2.55 a bushel last October to \$2.85 in March-April 1965, then declined to \$2.74 in June. The October-June average of \$2.72 was 20 cents above a year earlier.

Supplies this summer will be much smaller than a year earlier, so crushings and exports will fall off sharply from current rates. Total stocks of soybeans on July 1, 1965, amounted to 131 million bushels, down about 23 percent from a year earlier.

Beginning with the August issue of the Fats and Oils Situation (for release August 20), soybean supply and disposition data will be published for the marketing year

beginning September 1. The marketing year formerly started October 1.

**Most fresh vegetable harvests** are near their seasonal peaks, and supplies generally are expected to remain abundant through the summer. Early reports indicate an aggregate tonnage slightly above last year, although 2 percent below average.

Among leading commodities, cabbage and carrot production likely will be substantially above a year ago, and tomato production may be up moderately. Slight increases are indicated for celery and sweet corn. However, the summer snap bean crop is off slightly from last year, and lettuce production is down moderately.

**Potato supplies** for summer marketing are larger than a year ago. The early-summer crop was down a bit from 1964, but late-summer output, marketed in volume by early August, is up--estimated at 31 million cwt. versus 27.6 million in 1964.

Despite expected heavier late-summer tonnage, prices probably will average above a year earlier because of stronger demand, particularly by processors. Use of potatoes for chips continues to expand; use for freezing has risen sharply. Stocks of frozen French fried potatoes amounted to 175 million pounds on July 1 compared to 247 million a year earlier, and relative to current disappearance, stocks are low.

Acreage for the fall crop is 8 percent above 1964. With average yields, production will be up sharply.

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